



**CITY OF SCOTTSDALE
TOURISM DEVELOPMENT COMMISSION
REGULAR MEETING**

Tuesday, January 19, 2016

**Kiva Forum - City Hall
3939 N. Drinkwater Boulevard
Scottsdale, Arizona 85251
APPROVED MINUTES**

PRESENT: Ren Hirose, Vice-Chairman
Ace Bailey
Linda Dillenbeck
Carl Grupp
Camille Hill
Robert McCreary

ABSENT: David Scholefield, Chairman

STAFF: Steve Geiogamah
Karen Churchard
Brian Dygert
Paul Basha

GUESTS: Deborah Fiorentino, CEO West 54th Media Group
Fred Unger

1. Call to Order/Roll Call

Noting the presence of a quorum, Vice Chairman Hirose called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:01 a.m.

2. Approval of Minutes

- December 15, 2015 Regular Meeting

Commissioner Hill noted two comments attributed to the wrong speakers in Item 6.

**COMMISSIONER GRUPP MOVED TO APPROVE THE MINUTES OF THE
DECEMBER 15, 2015 REGULAR MEETING AS AMENDED. COMMISSIONER**

**BAILEY SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0).
CHAIRMAN SCHOLEFIELD WAS ABSENT.**

3. Manager Reports

a. Staff Bed-Tax Collection Report

Mr. Geiogamah reported that bed tax collections, which included a late payment from prior months, were flat for the month of November. With the late payment removed from consideration, collections were down 5% for the month. In terms of hotel/resort classification, full service properties continued to trend down -3.4%.

b. Bed Tax Proforma

Mr. Geiogamah noted that a column was added to track estimates for FY 2016/17. Staff will continue to add to it as the budget cycle progresses.

c. Smith Travel Report

Mr. Geiogamah stated that occupancy numbers remain fairly flat, while revpar and average daily rate continue to trend upward.

d. Program Updates

Mr. Geiogamah reported that the Tonto National Forest jeep tour application process is proceeding. He confirmed that Commissioners Hirose, Hill, and Dillenbeck will comprise the Event Working Group for 2016. Community Event Funding Program has a budget of \$200,000, with \$11,000 currently remaining in the fiscal year. The Matching Event Advertising Fund Program was budgeted at \$225,000, and currently has \$150,000 available. The Event Venue Fee Program was budgeted at \$200,000, and has \$186,000 currently available.

4. Tourism Development Commission Annual Report

Mr. Geiogamah explained that the Annual Report summarizes all actions and recommendations that the TDC made during 2015, while providing additional insight and information on activities.

Vice Chairman Hirose suggested adding an explanation or further detail as for why the Commission voted against using bed tax dollars on the Downtown Trolley. Mr. Hirose also wanted to point out that they recommended funding Fiesta Bowl Rugby Event and Hot Air Balloon Festival because the hot air balloons component added value to the event. The ESPN Fan Fest was very positively received and those results should be shared. He felt it appropriate to explain that the TDC has been trying to move forward on the Bed Tax Stabilization Fund Program for some time, but that progress has been slow. He also proposed adding this fund to the list of anticipated key issues for 2016.

5. Special Events Draft Ordinance Outline

Karen Churchard reported that the City held public meetings last week to discuss the draft outline of the Special Events Ordinance. Nearly 20 people attended the two

different meetings. Vice Chairman Hirose inquired about information on legacy events. Ms. Churchard responded that legacy events will be further defined in the ordinance. Vice Chairman Hirose felt that language stating that events should not unduly affect nearby businesses was overly broad and asked who would be responsible for interpreting that. Ms. Churchard explained that it would be interpreted by the person designated by the City Manager as the Events Administrator. This impact is only one of many criteria that would be considered in the evaluation.

Commissioner Hill inquired whether the draft outline contained anything that would prevent an event like ESPN Fan Fair from happening in the future. Ms. Churchard said it does not. Vice Chairman Hirose encouraged Commissioners and the public to attend the City Council work study session of February 16 and the regular meeting of March 15.

6. National Reined Cow Horse Association 2017 Snaffle Bit Futurity Event Bid Proposal

Mr. Geiogamah noted that he wanted to give a little background in terms of the requested action to support a possible recommendation on a resolution to provide to City Council in support of a bid that Mr. Dygert is going to present. Mr. Geiogamah said this proposal could qualify for up to \$75,000 in support, but that only \$44,000 is currently available in the Event Development Fund. About \$65,000 is available in one-time use funds, and there is money in the carryover fund as well.

Brian Dygert, WestWorld General Manager, said the National Reined Cow Horse Association (NRCHA) was founded in 1949. They are the regulating body of this Western cowboy discipline. This event is for three-year old horses only, and is one of the premier events of this discipline. The NRCHA has 4,800 active members from 34 states. They produce five events nationally, and this is their largest one. It has been in Reno for over 30 years, and their contract ends in September of 2016. Snaffle Bit Futurity (SBF) has three core components: a competition, a trade show, and horse sales.

Mr. Dygert said the event produces a spend of \$2.7 million of direct impact over the 14 days of the competition. Many participants stay in town for 19 or 20 days. About 3,500 people are directly involved with the event in some form. SBF generates 27,000 room nights, or about 1,200 per night, in discounted room blocks. Between 1,000 and 1,200 horses are involved. In terms of demographics, horse owners have a median household income of \$60,000 per year, and 28% have income over \$100,000. NRCHA has a digital TV channel and a magazine. The SBF event is held in the last two weeks of September. Most out of state participants come from the Western U.S.

Commissioner Hill inquired about the competitors. Mr. Dygert speculated that Fort Worth; Las Vegas; Perry, Georgia; Jackson, Mississippi; and possibly Oklahoma City were also placing bids. The event is planning to leave Reno, and is looking for a new home. He expects they will look for an initial agreement for three to five years, with the hope of it becoming long-term. Commissioner Hill inquired whether NRCHA has ever held an event in Arizona. Mr. Dygert responded that they have held some events here, but not the SBF. Their interest in Scottsdale has increased since the capital improvements were made at WestWorld. Arizona fits what they are looking for.

Commissioner Hill questioned why NRCHA rejected one of Scottsdale's previous bids, and why they might reject this one. Mr. Dygert explained that they chose to take that bid, show and combine it with the SBF. He stated that Scottsdale must overcome three hurdles in the bidding process: facility costs, the higher cost of renting cattle in Arizona, and the availability of city sponsorships. Scottsdale is not as aggressive about sponsorships as some other destinations are.

Commissioner Hill asked about the process. Mr. Dygert said the selection process will occur in two phases. The finalists from the first round will be expected to make an in-person presentation. Commissioner Hill inquired whether local hotels have indicated a willingness to provide a rebate. Mr. Dygert said organizers are asking for a rebate, but it is too early in the process to have secured one.

Commissioner Grupp asked whether Scottsdale has met all the requirements NRCHA has asked for. Mr. Dygert responded that it has, and that no additional buildout will be required. Commissioner McCreary inquired about local activity in the discipline. Mr. Dygert said the local community has a large presence in the activity, and a Scottsdale resident even won two years ago.

Vice Chairman Hirose said the return on investment for having these bed tax dollars support the SBF is substantial. He inquired if the TDC would get the money back if the SBF does not come to Scottsdale next year. Mr. Geiogamah explained that if the City Council approves the recommendation, the offer of support will be included in the bid, but money would not be expended unless Scottsdale is awarded the event. The contract would have to come back to the TDC and City Council for approval.

Commissioner McCreary noted that people will want to stay in hotels during September events. Commissioner Grupp agreed, adding that the TDC has long sought after programming in the summer months.

COMMISSIONER DILLENBECK MOVED TO RECOMMEND THE ALLOCATION OF \$75,000 IN CARRYOVER FUNDS TO SUPPORT THE NATIONAL REINED COW HORSE ASSOCIATION 2017 SNAFFLE BIT FUTURITY. COMMISSIONER HILL SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). CHAIRMAN SCHOLEFIELD WAS ABSENT.

7. WestWorld Event Funding Process

Mr. Geiogamah reported that staff has been reviewing the WestWorld event funding process in an effort to find ways to improve it. Brian Dygert, WestWorld General Manager, stated that last fiscal year, WestWorld hosted 22 new events that brought in \$474,000 of revenue. In the current fiscal year, 34 new events have been added to the calendar, bringing in \$521,000 in new revenue. For the next fiscal year, 11 new events are already in contract for a total of \$436,000 of new revenue.

In addition, WestWorld has submitted bids for a number of national horse events. Scottsdale did bid for the National Dressage Final, but organizers chose to stay in Lexington, Kentucky for the next three years. The National High School Rodeo and Nation Junior High School Rodeo are each nearly two weeks long, in addition to being held in the middle of summer. They actively solicit proposals around the country and move from year to year. Scottsdale has bid for each of them, but neither has made a

final decision yet. Because these events cater to families, the RV needs are more than double what WestWorld can accommodate. If both organizations agree to come to Scottsdale, WestWorld could host four years of significant summer events in a row.

Mr. Dygert reported that the NCHA is another horse discipline event that is looking for a new home. They are considering Scottsdale along with one other destination. This event is their Western Affiliate Finals, which attracts 800 to 1,000 horses annually. The cost of cattle supply is a hurdle that has to be overcome, but low fuel prices work to Scottsdale's advantage. The organizers will make a decision in February.

Mr. Dygert noted that Scottsdale is working up plans for a Scottsdale Round Up, an event modeled after the Calgary Stampede. WestWorld created a Fourth of July event, and there are opportunities to create other niche events such as a Latin music festival and a drone festival among others.

Fred Unger said the City spent money to enclose the equestrian center in order to hold events during the summer. It is one of the top 10 such facilities in the nation. The expansion of the North Hall was also very well conceived. There are only a handful of national horse shows. Scottsdale lost one of them, the National Dressage Finals, partly because of the lack of footing for horses. The National High School Rodeo and National Junior High School Rodeo each generates about 7,000 room nights, but Scottsdale will not be able to compete for these events without several hundred RV pedestals. These events want to come to Scottsdale, but some money is necessary to provide what the destination lacks compared to other destinations. He expressed concern that by losing these equestrian events, Scottsdale might not have many other options to pursue later on. Many other types of large events would be possible if sponsorships were available. He suggested a work study session to come up with ways to provide funding for some of these events, since the existing tools do not fit WestWorld.

Commissioner Hill inquired about the lack of footing at WestWorld. Mr. Dygert explained that dressage requires very specialized footing. WestWorld only keeps diverse and flexible footing, and would have needed \$50,000 to \$75,000 to provide the right type.

Vice Chairman Hirose found it encouraging that revenue per event is increasing. He inquired about return business. Mr. Dygert said about 30% of events return, which is almost double the average. This should normalize in a few years. Events fail to return for a number of reasons, but most importantly they have to succeed financially.

Mr. Unger responded that WestWorld is targeting events that are multiple days that cover a variety of opportunities. A new basketball tournament is starting that will bring in many families. It has been difficult to get a music festival going, even though WestWorld is well-suited to host one, because of intense competition, limited sponsorships, and concerns about the summer weather. It has been challenging to find the right mix of events that serve the Scottsdale WestWorld brand well.

Mr. Geiogamah identified the March meeting for a discussion on funding for events at WestWorld. Vice Chairman Hirose called for a discussion sooner than March to arrange for a summer music festival.

8. Crushbrew Craft Beverage Festival Event Funding Proposal

Vice Chairman Hirose stated that his hotel is a sponsor of this festival and recused himself from the discussion, turning the proceedings over to Commissioner Bailey.

Mr. Geiogamah explained that this event is scheduled for February 19 and 20 on the Waterfront. They are requesting support in the amount of \$40,000, which could come from the one-time commitment fund.

Deborah Fiorentino, CEO, West 54th Media Group, said the Crushbrew festival is different from other beer festivals in that it focuses on the craft beverage movement, including boutique wineries, craft beers, craft distilleries, and hard cider. It also features live music and a pizza competition. Beverage participants are coming from nine primarily western states, in addition to France, Belgium and Italy. The primary market is the millennial generation, but Crushbrew has multi-generational appeal. Millennials value experiences over possessions, and 82% of them have attended a live event over the past 12 months. Fifty percent consider themselves foodies. This demographic is driving the craft beverage movement. Live events fill a human need to connect and people are increasingly looking for experiences that take them away from the digital world for a while. Experiences create happiness and fulfillment and produce life-long memories.

Ms. Fiorentino said many of the event sponsors are coming from out of market, which will produce room nights in Scottsdale. The festival is being positioned as an educational event for attendees. Many of the booths will be staffed by people who are in charge of producing the beverages. Crushbrew promotes the Scottsdale Waterfront on all publicity materials and social media. The festival has the potential to become a world class event attracting enthusiasts from across the world. About 12% of ticket sales so far are from out of market.

The local craft beverage industry is growing, and this festival will add clout to the scene. The long-term branding strategy is designed to grow the event each year. She stated that Crushbrew is the first consumer-oriented craft beverage festival in the U.S. The media plan will generate 12 million impressions and shine a light on downtown Scottsdale. First-year lodging is expected to produce 350 room nights.

Ms. Fiorentino requested \$40,000 from the City of Scottsdale's New Event Development Fund. The return on investment will be realized through increased tourism, destination branding, and media support. Quantitative and qualitative data will be presented in a follow-up report.

Commissioner Grupp asked about room blocks and inquired why the festival chose mid-February dates. Ms. Fiorentino explained that it coincides with Arizona Beer Week and Arizona Cocktail Week. Many industry people will already be in town and can extend their stay for Crushbrew. Room blocks have been arranged at Hotel Valley Ho, the W, and Marriott Suites.

Commissioner Hill suggested increasing the size of Scottsdale Waterfront as it appears on the promotional artwork, and inquired about sponsorship positioning. Ms. Fiorentino said the location creates the park-like setting that the festival is looking for. If the funding

is approved, the City of Scottsdale will have sponsorship positioning in addition to the Waterfront promotion.

Commissioner Dillenbeck inquired about the projected attendance and ticket sales. Ms. Fiorentino projected 5,000 people over two days. So far ticket sales have been good. Commissioner Dillenbeck asked about the proposed use for the City funding. Ms. Fiorentino said the money will be used to expand the media buy.

Commissioner Bailey summarized that the TDC has the option of either granting \$40,000 from the New Event Development Fund, directing staff to further evaluate the event's potential, or to take no action at this time. Commissioner Grupp felt that the requested amount was high compared to other events of its type, and it is difficult to ascertain how it would be spent. Mr. Geigamah explained that this will be the last opportunity for the TDC to recommend funding this year. Any evaluation would have to apply to next year.

COMMISSIONER GRUPP MOVED TO DIRECT STAFF TO FURTHER EVALUATE THE CRUSHBREW CRAFT BEVERAGE FESTIVAL FOR POSSIBLE FUNDING IN 2017. COMMISSIONER DILLENBECK SECONDED. THE MOTION CARRIED BY A VOTE OF FOUR (4) TO ONE (1). COMMISSIONER HILL DISSENTED AND VICE CHAIRMAN HIROSE RECUSED HIMSELF. CHAIRMAN SCHOLEFIELD WAS ABSENT.

9. Downtown Trolley Survey

Paul Basha, Transportation Director, fielded questions from the TDC regarding the Downtown Trolley. Vice Chairman Hirose estimated that 540 surveys would be needed in order to accurately measure ridership on the trolley, and that the surveys should be divided proportionally to the ridership each month of the service. Mr. Basha said staff would be happy to honor his request to conduct the survey.

10. Bed Tax Stabilization Financial Policy

Steve Geigamah, reminded the TDC of the ongoing effort to establish a bed tax stabilization fund policy. The idea is to have money at the ready in support of the Tourism Program in the event of an economic downturn or other negative bed tax collection impacts. A proposed policy would include the continuation of the hybrid percentage bed tax allocation policy under Financial Policy 21-A and establishing a fund using \$2.6 million in bed tax carryover funds toward the following, \$1.5 million to the General Fund, \$500,000 to administration and research, and \$600,000 toward event development. The bed tax carryover balance is currently \$6.6 million.

Mr. Geigamah explained that this policy would be triggered if bed tax collections were unable to provide funding toward all multi-year debt commitments as well as the city's tourism program. If funds were used, replenishment would be an ongoing process once bed tax revenue recovered. Funding for marketing associated with the SCVB contract with the city was considered but would require an ordinance change to allocate funds. It was determined that the Scottsdale CVB would establish reserve funds that could be used to address marketing to offset potential crisis.

Commissioner Hill inquired whether the policy would protect the funds to ensure they are only used for tourism-related purposes. Mr. Geiogamah responded that it could. The City Treasurer will make a presentation to outline the policy in detail. Vice Chairman Hirose said Scottsdale is riding a high tide at the moment, and this is a perfect time to plan ahead for a cyclic downturn. This will help the destination recover faster in case something does happen.

COMMISSIONER GRUPP MOVED TO RECOMMEND USING \$2.6 MILLION FROM BED TAX CARRYOVER FUNDS TO ESTABLISH A BED TAX STABILIZATION FUND. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). CHAIRMAN SCHOLEFIELD WAS ABSENT.

11. Annual Planning Work Study Session

Mr. Geiogamah presented a draft agenda for the annual TDC work study session, which is scheduled for March 15. The focus will be on events. Considerations will also be given to addressing the recent Event Funding Program audit recommendations. The TDC will have a further opportunity to review the agenda at the February meeting.

Vice Chairman Hirose suggested spending some time discussing the details of the bed tax stabilization fund. He felt it would be most productive to have material to read ahead of time so that the work study session could be spent discussing solutions rather than learning about the issues. Having event planners and the City Attorney in attendance would be beneficial as well. Commissioner Bailey requested an update from the Tourism Advisory Task Force.

12. Public Comment

There were no public comments.

13. Identification of Future Agenda Items

Mr. Geiogamah reviewed that the February 16 TDC meeting agenda will include election of officers, a quarterly report from the SCVB, a presentation of the Destination Marketing Program objectives, an update on the Tourism Program bed tax expenditure budget, as well as a Transportation Master Plan update. There will also be a special meeting to discuss the Museum of the West on January 26.

Vice Chairman Hirose reiterated the bed tax stabilization fund and WestWorld events. Commissioner Hill requested a review of the proposal process related to WestWorld events.

Adjournment

The meeting adjourned at 9:52 a.m.

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